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Answer to extra Questions

Q1. This q ______ AS 1 " ______ "

2. • Valuation of inventories (AS 2)
   - FIFO, weighted avg, Retail price, specific identification method, standard cost method

• Valuation of investments (AS 13)
   - cost, MV

• Valuation of fixed assets (AS 10)
   - cost, Revaluation

• Valuation of GG (AS 12)
   - gross, Net

• Amortization of Intangible Assets (AS 26)
   - SLM, future economic benefits

• Impact of change in foreign exchange (AS 11), etc

Q2. 1. This q ______ AS ~~4~~3 " ______ "

2. There are 3 types of activities in cash flow statement

→ OPERATING ACTIVITIES
   Eg:- Cash receipt from sale of goods
   cash payment for purchase of RM

→ FINANCING ACTIVITIES
   Eg:- Interest paid
   Repayment of loan taken

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→ INVESTING ACTIVITIES

Eg:- cash payment to acquire FA
Loan made to 3rd party

Q3 Question:- Cost - 1·50 crores
Life - 10 y
SV - 0·10 crores

company was following SLM. After 3y, company realised that life of asset would be 8y instead of previously assessed 10y. Comment.

Answer :-

1. This question ______ AS 10 "______"

2. Old depreciation

$$= \frac{1{\cdot}50\,CR - 0{\cdot}10\,CR}{10y}$$

$$= ₹1400,000$$

Book Value after 3 years

$$= 150L - 14L - 14L - 14L$$

$$= ₹108L$$

new depreciation

$$= \frac{1{\cdot}08\,CR - 0{\cdot}10\,CR}{5}$$

$$= ₹19,60,000.$$

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Q4. 1. This q________ AS 7 "________"

2. <u>Contract x</u>

$\% \text{ of completion} = \frac{\text{cost incurred}}{\text{Total cost}} \times 100$

$= \frac{239}{239+17} \times 100$

$= 93.36\%$

~~to~~ Revenue Recognised (313×93.36%)	292.22
− cost incurred	(239)
profit	53.22

<u>Contract y</u>

% of completion − not to be calculated

Revenue Recognised	75
− cost incurred	(75)
P/L	0

<u>Contract Z</u>

$\% \text{ of completion} = \frac{\text{cost incurred}}{\text{Total cost}} \times 100$

$= \frac{72}{72+9} \times 100$

$= 88.89\%$

Revenue Recognised (80 x 88.89%)	71.11
- cost incurred	(72)
Loss	(0.89)
+ provision	(0.11)
	(1)
- profit already recognised	(1.5)
Loss as per AS 7	(2.5)

Q5 1. This ________ AS 1 " ________ "

2. Refer Page 2 of JKSC txt bk

Q6. 1. This ________ AS 2 " ________ "

2. Value per computer

Particulars	₹ in lakhs
Raw material cost	400
+ Direct labour	250
+ Variable OHs	150
+ Fixed OHs (290-100)	190
	990
÷ Stock	550
Value per computer	1.8

Interest is not included in fixed OHs as computer is not a qualifying asset as per AS16.

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Q7. 1. This q ______ AS 7 " ______ "

2. % of completion = $\frac{\text{cost incurred}}{\text{Total cost}} \times 100$

$= \frac{300}{300+200} \times 100$

$= 60\%$

Contract price (480 X 60%)	288
- cost incurred	(300)
loss	(12)
~~loss as per~~ PROVISION	(8)
loss as per AS 7	(20)

Full losses are to be recognised irrespective of
- → % of completion
- → whether the contract have started or not
- → profit on other contracts

Q8. 1. This q ______ AS 2 " ______ "

2. Absorption Rate

$= \frac{\text{FOHs}}{\text{Normal capacity}}$

$= \frac{10L}{1L}$

$= ₹10$ p.u.

In yr 2007

Actual prod^n = 80,000u

$\because$ Actual Prod^n < Normal capacity

$\therefore$ ~~Also~~ Absorption Rate = £10 p.u.

In yr 2008

Actual prod^n = 120,000u

$\because$ Actual Prod^n > Normal capacity

$\therefore$ Revised Absorption rate = $\frac{\text{FOHs}}{\text{Actual prod}^n}$

$= \frac{10L}{1.2L}$

= £8.33 p.u.

Q9 1. This 9 ______ AS 2 " ______ "

2. Valuation of Inventory per kg

Material Cost	100
+ Labour cost	20
+ VOHs	10
+ FOHs (10L/2000)	500
Value Inv per kg	630

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Q10. 1. This q ____ AS 2 " ____ "

2.

Opng stock @ RP	12000
+ Purchases @ RP	42000
	54000
- Sales	(45000)
Clsg stk @ RP	£ 9000

	@ RP	@ cost
Opng stk	12000	7800
Purchases	42000	30000
	54000	37800
Clsg stk	9000	?
		£6300

Q11. 1. This q ____ AS 2 " ____ "

2.

Category	Cost	NRV	Valuation
A	40	28	28
B	32	32	32
C	16	24	16
Value of Inventory			76

Q12. 1. This q ____ AS 2 " ____ "

2. Cal^n of cost of FG

RM cost	100
Conversion cost	125
Cost of FG	225

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Case (i) SP of FG = £175

FG are loss making

∴ RM Inv = cost or NRV, whichever is lower

= £100 or £75

$\boxed{= £75 \text{ p.u.}}$

FG Inv = cost or NRV, whichever is lower

= £225 or £175

= $\boxed{£175}$ p.u.

Case (ii) SP of FG = £225

FG are sold @ no P/no L

∴ Inv of RM = cost

= $\boxed{£100 \text{ p.u.}}$

FG Inv = cost or NRV, whichever is lower

= $\boxed{£225 \text{ p.u}}$

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Q15 1. This q_____ AS 7 "_____"
& AS 5 "_____"

2. • PPI are income/expense in current yr because of error/omission in one/more prior years

• A/cing estimates are approximates/adhoc amount.
It can change either because of past experience or new information.

3. In the given case, the chief accountant treated excess cost of ₹10CR incurred as against estimated of ₹85CR as prior period item.

There is an expense of ₹10CR in current year but it is not because of any error/omission of prior year

4. It is not a PPI but a mere change in A/cing estimate.
The chief A/ctant of company is incorrect.

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Q16 & Q17 - same as JKSC txt bk

Q18 Raheja Ltd.

1. This q______ AS 7 " ______ "

2. Calculation of % of completion (₹ in 000')

	41	42	43
Cost Incurred (A)	150	360	405
Total cost (B)	450	400	405
% of completion A/B x100	33.33%	90%	100%

P/L

Revenue Recog	166.65 (500x33.33%)	450 (500x90%)	500
- cost incurred	(150)	(360)	(405)
profit	16.65	90	95
- profit already recog	-	(16.65)	(90)
PROFIT RECOG. AS PER AS 7.	16.65	73.35	5

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Q20. 1. This ______ AS 7 "______"

2. cost incurred = ₹990,000
cost to be incurr = ₹60,000

Total cost = ₹1050,000

% of completion = $\frac{\text{Cost incurred}}{\text{Total cost}} \times 100$
= 94.29%

Revenue Recognised	1178,625 (1250,000 × 94.29%)
- cost incurred	(990,000)
Profit	188,625

Q21. 1. This 9 ______ AS 10 "______"
AS 16 "______"

2. Cal^{n} of cost of PPE

	₹ in lacs
Purchase cost	200
+ Sales tax	16
+ Transit insurance	2
+ Transportation	5
+ Special foundation	1.5
+ Installation	2.5
+ Borrowing cost (180L × 6/12 × 16%)	14.4
Cost of PPE	241.4

Q22. 1. This Q _____ AS 4 " _____ "
AS 13 " _____ "

2. • As per AS 4,
If two conditions are satisfied cumulatively then the event is an adjusting event
cond^n 1
circumstances must exist on B/s date
cond^n 2
Add^n evidence must confirm the event

• As per AS 13
long term Invt are to be valued @ cost. However, if there is permanent decline in value then it is to be valued @ cost or NRV, whichever is lower

3. In the given case,
The company had cash losses and there was a decline in market share i.e. circumstances were existing on B/s date
In may, 2009 i.e. after B/s date but before date of approval prices dropped providing additional evidence confirming the event

4. Such fall is permanent in nature
∴ Value of Invt = cost or NRV, whichever is lower
= 200,000
or
20,000

$= \boxed{₹ 20,000}$

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Q23 1. This q ____ AS 9 "Revenue Recognition".

	April	May	June
Sales	-	125 (500×25%)	375 (500×75%)
- cost (Matching concept)	-	(62.5) (250×25%)	(187.5) (250×75%)
P/L	-	62.5	187.5

Q24. 1. This q ____ AS 9 " ____ "

2. Dividend income is to be recognised ~~on~~ when dividends are declared

3. In the given case, m/s sea ltd. recognised ₹5L dividend income during 2010-11 on accrual basis.
Dividends were proposed on 10th April '2011 & declared on 30th June '2011.

4. The treatment given by company is Incorrect & dividend will be recognised on 30th June '2011

Date

Q25 1. This q ______ AS 10" ______ "

2. If a significant component is getting replaced then it should be capitalized.
But if an insignificant component is getting replaced then it should be charged to P/L A/c

3. In the given case, manufacturers & traders ltd. purchased a conveyor system on 1.1.04 of ₹41.37 crores
During 07-08, due to wear & tear rope used in conveyor system was replaced to maintain efficiency

4. It is an insignificant component. ₹8CR should be charged TO P/L A/c

Rope A/c	Dr.	8	
To Cash/Bank A/c			8
P/L A/c	Dr.	8	
To Rope A/c			8

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Q26 1. This question ______ AS 10 " ______"

2. Cal^n of Dep^n using WDV method

Cost	150 lakhs
− Dep^n (Y1)	(35.58) lakhs
	114.42 lakhs
− Dep^n (Y2)	(27.14) lakhs
	87.28 lakhs
− Dep^n (Y3)	(20.70) lakhs
BV after 3y	66.58 lakhs

New Dep^n using SLM $= \dfrac{66.58 - 10}{7}$ (₹ in Lakhs)

= ₹8.08 lakhs.

Q27 1. This q ______ AS 10 " ______"

2. Book value on date of sale ₹250L
Sold for ₹100L
Revaluation Reserve ₹200L

A/cing treatment

Cash/Bank A/c Dr.	100L	
Revaluation Res A/c Dr.	200L	
To Property, Plant & Eq A/c		250L
To P/L A/c		50L

Q28 1. This q ______ AS 10 " ______ "

(₹ in Lakhs)

2. Cost		100	
- Dep^n	41	(9.75)	$\frac{100-2.5}{10}$
	42	(9.75)	
	43	(9.75)	
	44	(9.75)	
BV @ beg of 5th yr		61	
+ Revaluation		24.43	
		85.4	
- Dep^n	45	(13.8775)	$\frac{85.4-2.135}{6}$
	46	(13.8775)	
	47	(13.8775)	
BV @ beg of 8th yr		43.7679	

Loss on retirement = 43.7679L - 3.8L

= ₹39.9675//

Q29. 1. This q ______ AS 2 " ______ "

2. Inventory are those ~~items~~ assets in which company has intention to sell / use / process in near future. They are to be valued @ cost or NRV, whichever is lower

3. In the given case,

company is engaged in manufacture of electronic products & systems

A prototype was installed @ customers location but control was still with company.

Company wants to record it @ bought out

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cost (Directly attributable cost)

4. company is incorrect. It is a WIP for company & intention is to process & sell in near future.

So, it should be valued @ Cost ↓ NRV ↓

Q30 1. This q ________ AS 7 " ________ "

2. % of completion = 80% (given)

Revenue Recognised	80 (100×80%)
- cost incurred	(92)
loss	(12)
Provision	(3)
loss as per AS 7	(15)

full losses are to be recognised irrespective of

→ % of completion

→ whether contract has started / not

→ profit on other contracts

Q31 1. This ____________ AS 13" ____________"

2. Cal^n of cost of Invt

	₹
Purchase cost (200x105)	21000
+ Brokerage	200
cost of shares of XY Ltd	21200

MV of shares of XY Ltd ₹22000
(200x110)

3. Intention to hold is not specified.
If we assume that this Invt are current Invt then
value of Invt = cost or NRV, whichever is lower
= ₹21200 or ₹22000
= $\boxed{₹21200}$

Q32 1. This 9 ____________ AS 29" ____________"

2. A provision is a liability which can be measured only by using substantial degree of estimation

3. In the given case, there is a present obligation arising because of a past obligating event of giving warranty.
It is probable that resources are involved & they are quantifiable

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@ 5% of sales

(4) ∴, Company should create a provision

Q33

1. This q ________ AS 9 "________"

2. If revenue is already recognised and ~~the~~ after recognition collection becomes uncertain then entry should not be reversed ~~rea~~ rather a provision should be created

3. In the given case,

Royalty income of ₹50 l was already recorded & then exchange permissions were denied

4. Company should create a provision of ₹ 50 lakhs

Q34

Refer Invt A/cing ch

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Q 35 : This Q —— AS 9 " —— "

2.

(a) when goods are installed

(b) on Approval if approved

If not approved then last date on which goods can be approved

(c) On the date of sale

(d) when consignee informs about sale

(e) On receipt of cash

(f) not covered by AS 9
covered by AS 19

(a) Proportionate completion method on montly basis

(b) Completed service contract method On completion of performance

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AS 5 :- NET PROFIT / LOSS FOR THE PERIOD, PRIOR PERIOD ITEMS AND CHANGES FOR A/CING POLICIES.

Illustration 1.

1. This question ____

2. PPI are income / expense in current year because of error / omission in one / more prior year.
   PPI is to be shown in P/L A/c separately.

3. In the given case,
   Fuel surcharge is billed by state electricity board @ provisional rates. Final bill for fuel surcharge of ₹ 5.30 lakhs for Oct'08 to Sept'15 has been recd & paid in Feb'16 i.e. expenses is of year 2015-16
   But company has accounted in year 16-17 i.e. there is an expense in CY because of omission in prior year.

4. It is a PPI.

*Illustration 2 (i)

(i) This question relates to
AS 1 "Disclosure of A/cing policies"
AS 2 "Valⁿ of Inventories"
AS 5 "Net P/L for the period, prior period items & changes in A/cing policies".

(ii) As per AS 1, all significant accounting policies are to be disclosed @ 1 place in FS i.e. notes to A/cs

As per AS 2, Inventories are to be valued @ cost or NRV, whichever is lower

As per AS 5, when items of Income & Exp within P/L from ordinary items are material then they are to disclosed separately in P/L A/c.

(iii) In the given case,
Company wrote down inventories to NRV by ₹ 5L.
As per AS 2, Valⁿ of Inventory is done correct

(iv) Separate disclosure is required in NTA as it is material. - (As per AS 1)
& separate disclosure is required in P/L A/c as it is material ordinary item

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* Illustration 2 (ii)

same as JKSC Q.

* Illustration 3

1. This question relates to AS 5 " . . . "

2. PPI are incomes/expenses in CY because of error/omission in one/more prior year. Separate disclosure for PPI is required in P/L A/c

3. In the given case,

in year 2016-17 we are recording ~~~~ Inventory of ₹14.5L which is pertaining to year 2015-16 because of omission in last year.

4. It is a PPI.

* Illustration 4

1. This question ——————

2. 1st time adoption of a policy is not change in A/cing policy

3. In the given case,

(i) Introduction of a formal retirement gratuity scheme by employer is not change in A/cing policy

(ii) Similarly, adoption of a new Alcing policy i.e. pension scheme